



HOUSE BUDGET COMMITTEE

Democratic Caucus

The Honorable John M. Spratt Jr. ■ Ranking Democratic Member

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November 21, 2003

Under Medicare Conference, Seniors Pay \$4,000 for \$5,100 in Drug Benefits

Dear Democratic Colleague:

The bill language for the Medicare conference report was finally made public yesterday, and the details of the drug benefit have changed.

There is a now a deductible of \$250, and the coverage gap begins at \$2,250 in drug spending and ends at \$5,100. **However, the Medicare conference agreement still only provides approximately \$1 of additional drug coverage for every \$4 dollars that seniors pay for themselves. Specifically, seniors with high drug costs must pay \$4,020 in order to receive \$5,100 worth of prescription drugs.**

This spending level of \$4,020 consists of \$420 in premiums, plus \$3,600 in out-of-pocket costs, before the second tier coverage begins.

Summary of Prescription Drug Benefit

Annual Premium	\$420 (estimated at \$35 per month)
Deductible	\$250
Coinsurance	Beneficiary pays 25 percent from \$250 to \$2,250 in drug costs
Donut Hole	Beneficiary pays 100 percent from \$2,250 to \$5,100 in drug costs
Second Tier Coverage	Begins when beneficiary out-of-pocket spending reaches \$3,600, which is equivalent to total drug coverage (beneficiary and plan spending) of \$5,100. At that point, beneficiary pays 5 percent.

The table below walks through this calculation in more detail.

	A Senior Pays...	And the Plan Covers...	To Get Prescription Drugs Totaling...
Deductible	\$250	\$0	\$250
Cost-Sharing for Next \$2,000	\$500 (25 percent)	\$1,500 (75 percent)	\$2,000
Gap in Coverage: Seniors Pay 100% of next \$2,850 in drug costs	\$2,850	\$0	\$2,850
Total Spending, Excluding Premium	\$3,600	\$1,500	\$5,100
Plus Premium	\$420	\$0	\$0
Total Spending, Including Premium	\$4,020	\$1,500	\$5,100

If you need a one-liner to illustrate the meager coverage this plan provides, here it is: for the first \$2,000 of coverage, the consumer will pay over \$1,100; for the first \$5,100 of coverage, the consumer will pay approximately \$4,000. Put another way, if a consumer buys approximately \$5,100 of drugs a year, the consumer will pay nearly 80 percent of that cost. These benefits are a poor trade for all the harm this bill does to Medicare. Please feel free to contact me or the Democratic Staff of the House Budget Committee if you have questions.

Sincerely,

/s/

John M. Spratt, Jr.
Ranking Member